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Special
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committee on Consumer prices
Submission by the National
farmers union. February, 23, 1967.

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Canada. Parliament

Submission

to the

Joint Committee on Consumer Prices

Credit

by the

National Farmers Union

Presented in
Edmonton, Alberta,

February 23, 1967



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Submission
to the
Joint Committee on Consumer Prices
by the
National Farmers Union

Edmonton, Alberta,
February 23, 1967

Introduction

We welcome the opportunity of appearing before your committee. May we state at the outset that our organization consists of some 75,000 farm families belonging to autonomous provincial farm unions in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia, who have affiliated for the purpose of speaking jointly on national policies.

We will outline our views on matters relevant to basic food production policies in Canada and the effect on the family farm structure in agriculture. We wish to discuss the direction in which we believe policies should be oriented in future years to serve the best interests of both producers and consumers.

Your committee has received much evidence related to the respective roles of the various segments of our economy in the production, processing, distribution, retailing and consumption of food. From this evidence, we believe it has been generally accepted that the primary producer of food has greatly increased his productivity, that his costs of production have exceeded the growth rate of farm prices for farm products, and that the

Resolution

to the

John Chamberlain on Consumer Rights

by the
National Farmers Union

Edmonton, Alberta,
February 22, 1967

Statement

We welcome the opportunity of appearing before your committee.

As we state in the report that our organization consists of some 25,000

producers belonging to national, provincial and local associations.

Alberta, Saskatchewan, Alberta and British Columbia, who have suffered

the purpose of seeking jointly on national matters.

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been the growth rate of farm prices for farm products, and that the

farm share of the retail food dollar has declined from a level of 58% in 1949 to 41% in 1964.

The Changing Structure in Agriculture

The growing productivity and efficiency in farming has not resulted in a proportionate rise in levels of income to the majority of farm families. To the contrary, the spectrum of farm size and efficiency has been growing ever wider in range. Indeed it prompts one to seriously examine what our national agricultural policy has achieved and what it is designed to do in the future.

National economic policy in Canada since its inception has been to create an industrial economy. Agricultural policy has been functional yet subordinate to national policy. Canadian agricultural policies have been primarily policies to expedite this basic national objective. As such, there is no comprehensive policy for Canadian agriculture which sets out terms of references and objectives.

Agricultural policies have been basically policies of adjustment oriented to encourage growing farm efficiency and productivity with a view toward perpetuating a source of labor and cheap raw material for secondary industry.

The cheap raw material objective has been realized and many thousands of rural people have migrated to urban centres to serve the emerging industrial complex. We do not question the desirability of farm efficiency provided it is reciprocated with adequate income. In spite of what they have accomplished on the one hand it is clear our agricultural policies have

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thus far failed to solve either the economic or social problems of a majority of those farm people still remaining on the land.

In having implemented policies of adjustment to agriculture, federal and provincial governments have emphasized capital expansion and in this way have greatly influenced the shape of the agricultural community. Farm credit programs have resulted in the substitution of capital for labor and permitted the rapid mechanization of many thousands of our farms. This has assisted industry through providing an expanded farm market for industrial goods. Credit policies have enabled the expansion in farm size, resulting in greater output per worker employed in agriculture and in some instances reducing unit costs of production. It has helped create an elite group in farming.

On the other hand, federal credit policies are discriminatory in nature, enabling only some to qualify and leaving others the alternative of accepting a lower living standard or selling their farms.

Thousands have left the land but many thousands have stayed. In 1961, 45% of our farms sold agricultural products of gross value less than \$2500 per annum. Of these, it is clear some considerable number may participate in off-farm employment, but this does not overshadow the fact that Canada has a serious problem of rural poverty on its hands at the present time. It is now often referred to as a "social" problem rather than an agricultural problem because it is recognized that the future rehabilitation of these people will not likely be achieved in farming.

The financial costs of rehabilitating these citizens to a useful role in society will be astronomical. The January, 1967, edition of "Resources" a publication issued by the Canadian Council of Resource Ministers, reports

on an Agricultural Rehabilitation and Development Act project as follows:

"Canada's first large-scale attempt to rescue a whole area of the country from the grips of poverty and ignorance has been undertaken by the Federal and New Brunswick governments. Over the next ten years, \$114 million will be spent by the two governments on comprehensive rural development plans for the northeast and Mactaquia areas of New Brunswick."

We predict within ten years, failing alternate farm programs, the problems which now confront ARDA will be substantially compounded.

Neither can one suggest that the group comprising 25% of farmers in 1961 in the gross sale of farm products bracket from \$2500-\$5000 are by any stretch of the imagination secure in their positions. Many of them might, if given proper opportunity now, be both efficient and viable. However, rising input costs, insecure prices and limited opportunities for expansion predestine this group in agriculture as the next logical candidates for the rural poverty scrap heap.

The farmer who acquires a neighboring farm at inflated values well above the known productive potential of land does, in fact, singlehandedly bear the economic cost for social relocation of the displaced farmer and his family. In this sense, he is waging a one-man war on poverty and perhaps merely prolonging the day until he himself may become a casualty.

Farm Credit

There is evidence to support the belief that the problems of many low income farmers may be aggravated through use of higher cost forms of credit.^{1/}

^{1/} See "Farm Credit Expansion in Canada" by R. S. Rust, Published in Canadian Farm Economics, Vol.1, No.1, April, 1966.

1. The first part of the report is a general introduction to the subject.

2. The second part is a detailed description of the methods used in the investigation.

3. The third part is a discussion of the results of the investigation.

4. The fourth part is a conclusion and a summary of the findings.

5. The fifth part is a list of references.

6. The sixth part is a list of figures and tables.

7. The seventh part is a list of abbreviations.

8. The eighth part is a list of symbols.

9. The ninth part is a list of footnotes.

10. The tenth part is a list of appendices.

11. The eleventh part is a list of errata.

12. The twelfth part is a list of acknowledgments.

13. The thirteenth part is a list of dedications.

14. The fourteenth part is a list of prefaces.

15. The fifteenth part is a list of forewords.

16. The sixteenth part is a list of introductions.

17. The seventeenth part is a list of conclusions.

18. The eighteenth part is a list of summaries.

19. The nineteenth part is a list of abstracts.

20. The twentieth part is a list of indexes.

21. The twenty-first part is a list of tables of contents.

For example, \$300 million is estimated to have been loaned to farmers in 1964 through supply company finance for short terms at interest rates averaging 10%. A further \$200 million was loaned in intermediate financing ranging from 18 months to 10 years at average rates of 9%.

The same credit problems which this committee recognized for low income wage earners exist for low income farm people. We recommend that consideration be extended in meeting the credit needs of low income farmers.

The inflationary cost of farm lands is a major problem facing farmers. It is creating problems not only for those presently established in agriculture, but promises to create major problems of land transfer from the present to the following generation.

In its 1964-65 annual report, the Farm Credit Corporation notes as follows:

"Land prices, which have continued to increase during the year in many areas, have accentuated the problems of those wishing to start farming in those areas. A major factor influencing these prices appears to be the demand for land to expand the size of farms. The steady upward trend in land prices also may have attracted some investment in land by non-farmers. Under present circumstances, it is sometimes difficult for a lender such as the corporation, in making appraisals for loans which are repayable over terms up to 30 years, to reconcile current land prices in some areas with the net income potential and loan repayment capacity of many farms in those areas."

The above observation indicates that acquisition of land by non-farmers is a recognized problem to entry into agriculture by young farmers. We believe this trend deserves consideration.

In an article by John Schriener contained in the "Financial Post" of January 29, 1966, it is noted:

"A massive demand for farm credit is being created by the transfer of farm ownership to a new generation. This transfer began early in the 1960s, and, according to some economists, will continue into the 1970s before easing off."

The prospect of carrying a lifetime debt on a possible investment of \$60,000-\$100,000 is not a great inducement for young people to enter agriculture.

We believe it may be necessary to evaluate the practicability of continuing a completely owner-operator philosophy for farm land in future years. Security of tenure may be guaranteed in other ways which will spare heavy capitalization of land resources for more productive purposes. We believe there is room for greater direction of public land allocation in our economy, perhaps through the medium of a Land Allocation Authority.

It is noted, for example, that there is now thinking in government circles towards buying up small and so-called inefficient farms and consolidating them into efficient units, training operators, modernizing buildings and allowing older farmers to sell their land to the government but remain in rural residence.^{1/} It is also proposed these consolidated units be sold. We question the wisdom of this latter proposal. We believe long-term leases would be more practical toward meeting transfer needs in the present and the future and perhaps forestall the growing threat of land ownership and control by the large corporation.

1/ Article by Clive Baxter, Financial Post, January 25, 1966.

Who Shall Control Agriculture ?

Our organization represents family farms. We believe that both economically and socially it is in Canada's national interest to retain a structure for food production which is broadly based among numerous producers. We regret that no blueprint for agriculture is in evidence in this country. While much lip service is paid to the principles of retaining the family farm, the industrialization of agriculture through integration is proceeding ahead at full steam.

Our concern as a farm union is: Who shall control agriculture? What is to be the pattern of agriculture in Canada for the future? What are the policies going to be today to assure a tomorrow for the family farm?

Time, we believe, is not on our side. The next plateau in agriculture is obviously the growing trend toward production and market domination by large corporations which threaten the independence of every producer. Vertical integration which relegates the farmer to laborer is already established in this country. The trends here have followed those in the United States which are advanced by approximately 10 years^{1/}. The patterns and problems of integration are being experienced in Western Europe.^{2/} Industrialization in the production of certain farm commodities such as broilers already is complete in this country. Still, those producers who have

^{1/} See "Economic Growth and the Farm Problem" by E.J.R. Booth, Associate Professor of Economics, University of Connecticut, Storrs, Connecticut, presented to the 1966 Western Farm Leaders Conference, Banff School of Fine Arts, Banff, Alta., March 21-25, 1966.

^{2/} See Article: "Vertical Integration in Western Europe" by John Higgs, Published in FAO Monthly Bulletin of Agricultural Economics and Statistics, Vol.15, No.12, December, 1966.

entered this highly specialized field of production are extremely vulnerable to risk. Whose benefit will really be served? We say it will be neither that of the producer nor the consumer when corporate enterprise controls the means of food production.

The industrialization of production in turkeys, eggs and hogs is rapidly descending upon us. One must question the relative security of the individual producer in an economic climate which puts him in direct production competition with an integrated corporation also representing the market outlet on which the producer relies, or alternately, a contractual arrangement which relegates him to the role of hired man or share cropper under contract for production.^{1/} Under corporate management of production and supply, the consumer can expect an end to food bargains.

We are concerned by the inadequacy of price support programs which, in large measure, fail to be meaningful in providing primary producers with an adequate level of price stability and income. It is clear the prime objective of support policy for farm products has been to act as a stop-loss measure and thus pattern supply to the domestic market production. It has achieved this to such an extent in some commodities, notably manufacturing milk and cream, as to require foreign imports of butter to supplement domestic supplies. Even so, recent support increases in milk prices have been grudgingly and reluctantly granted to producers. The federal Minister of Agriculture, the Honourable J. J. Greene,^{2/} recently stated that

^{1/} See "Structure and Concentration in the Canadian Poultry Meat Industry" by J.T.Hill, Canadian Farm Economics, Vol. 1, No.2, June, 1966, published by Economics Branch, Canada Department of Agriculture.

^{2/} Report in Winnipeg Tribune, Jan.25/67, of address by Hon.J.J.Greene to annual meeting, Canadian Federation of Agriculture, Winnipeg, Man.

man's most crying problem in the next three decades will be the ability to feed himself and that Canada, with the most productive and efficient farmers in the world, is suited to giving leadership in remedying world hunger. We quite agree, but farmers cannot produce at a loss in a high cost of production economy.

Farmers are becoming weary of being exhorted by experts to specialize, to diversify, to produce more and to become ever more efficient. To make the farmer more productive appears to be a national preoccupation while other sectors of our economy on which the farmer relies for goods and services are able to convert the fruits of his efficiency and technology into profit centres. The question arises: How efficient must farmers become? Efficiency equated in terms of an industry which is able to regulate its profit margins to demonstrate a profit on its operations is one matter. Efficiency equated in terms of a profitable farming operation which must produce on the basis of high cost, profit centred inputs supplied by the industrial sector and sell to a market which also will build profit centres into the farmer's product before it is consumed, is quite another matter.

Supermarkets, in our view, are overexpanded in numbers as are gasoline service stations which mushroom in profusion in every town and city. Our packing companies are overexpanded in capacity. The basic design and efficiencies of our grain handling and transportation systems have not changed greatly in sixty years. Farm implement prices have been rising each year as the farmer is overburdened with a multiplicity of models, designs and colors to appeal to his baser instincts. Efficiency in these instances, it would appear, is rationalized on balance sheets which extract a profit from the consumer rather than through the more efficient application of resources.

We believe this committee must consider and recommend some guidance to government on the shape of the agricultural industry for the future. Failure to recognize the present shape of future events in the primary food industry may well lead to the destruction of the family farm and substitute an administered industry regulated and controlled by private corporations.

Farmers and Co-operatives

The principles of co-operation first applied by the Rochdale Pioneers in 1844 provided farmers in Canada with a model on which to build present-day producer marketing and farm supply co-operatives. Canadian farmers have been the creators of both farm supply and producer co-operative institutions in Canada.

The early voluntary farm movement from which some present day farm unions have descended were the creators of many present day commercial co-operative institutions and as such these institutions are part of the farm movement. Farm people have employed co-operative principles to organize commercial enterprises and they have organized these enterprises to perform specific, specialized functions on their behalf. These basic functions are to provide goods and services at cost and to return any earnings as patronage refunds to individual members on a proportionate basis relative to the amount of purchases.

The motive in this form of enterprise is to provide members with goods and services at cost. Properly managed, there is no likelihood of producer or consumer exploitation, since the cause for exploitation, namely profits, does not exist. Where this motive does exist as in corporate enterprise,

the effect is cost increasing to the consumer of the good or service.

An additional advantage to Canada from co-operative enterprise is that co-operatives are entirely owned and controlled by Canadians. This is a technique through which Canadian ownership of industry is attained.

There should not be a problem of monopolistic or restrictive trade practices which occasionally tempt the private and/or corporate sectors of our economy. The savings members realize as a result of their patronage of consumer co-operatives may be returned to them in cash or retained within their association for expansion of services. In this manner, that portion of their earnings through patronage is loaned to the association on an interest-free basis.

Earnings accruing to farmers through patronage of producer co-operatives may also be refunded in whole or in part by the producer co-operative. In both cases the entire earning accruing to the farmer is taxable and must be declared as part of the farmer's income for the year in which the earning occurred whether or not the farmer member actually receives the saving. Savings of the members retained by co-operatives, for whatever purposes, may be employed interest-free.

It is therefore with considerable concern we regard the malicious attacks made from time to time by private and corporate enterprise sectors of our economy upon the so-called "tax concessions" accorded to co-operatives. Co-operative members do not enjoy splitting or appreciation of their shares as accorded private or corporate enterprise, although many thousands of co-operative members have invested risk capital in co-operative enterprise.

Aside from various economic arguments supporting co-operative institutions, there exist social values not associated with corporate or private enterprise. Co-operatives provide members with the opportunity for decision-making in policy matters on a one-member-one-vote basis. Members of co-operatives may avail themselves of information or services provided through their respective associations which might not otherwise be available.

Co-operative organizations have grown in Canada, but not nearly to the extent which we believe desirable, either from the standpoint of the primary producer or the consumer. Producer marketing through co-operatives in 1964 approached \$1.3 billion. Co-operative consumer purchases of all types reached only \$522.8 million out of aggregate retail sales of \$20 billion. This may largely reflect the lack of adequate understanding of this form of business enterprise by co-operatives and co-operators themselves. It may also reflect the lack of adequate encouragement from governments, particularly at the national level. We suspect that most governments have not actively encouraged the growth and development of co-operative institutions in this country nearly to the extent possible.

By way of example, may we remind this committee as others have, that there has been a demand in the farm movement for a federal co-operative act as far back as 1905, and such legislation still does not exist on the federal statutes. Bill No.5, an Act Respecting Co-operation, unanimously passed the House of Commons in 1908, but was defeated by the Senate on July 10, 1908.

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Recommendations

The family farm structure of agriculture in Canada is, in our view, at the crossroads. We believe a comprehensive farm policy is an urgent necessity if indeed it is the objective of government to perpetuate the family farm as the main productive force in Canadian agriculture.

If this is to be the case, and we believe it must if the best interests of producers and consumers are to be served in future, we urge the following broad recommendations be accepted by your committee:

1) The federal government should immediately issue a clear statement of policy objective in terms of its concept toward the role of the family farm in constituting the basic food production in Canada in the future.

2) A broadly based and realistic farm price support program which will remove the uncertainties of financial risk to the farmer in production and provide him with the opportunity to earn a basic national level of income through employment of his productive resources is essential. (Canada's expenditures on farm support under the Agricultural Stabilization Act in 1965-66 was \$57.3 million or a per capita outlay of \$2.75.)

3) A broadening in the base of farm credit arrangements is necessary. Provision must be made for access to low interest rate credit for low income farmers.

Provision must be made to ease the transfer of farm operations from one generation to the next and encourage greater entry into farming by young farmers.

4) Research and study must be given to the practicability of altering the generally accepted concept of land ownership as the only practical manner

of assuring a farmer of security of tenure. The possible establishment of long term leasing arrangements of farm units under the jurisdiction of a land allocation authority may be a practical answer to problems of succession and the growing encroachment upon land ownership of private corporations.

5) Research and study should be undertaken on the extent of non-farm purchases of farm land, speculative and otherwise, foreign and domestic, and the effect of this practice in exerting inflationary pressures on land prices and restricting opportunity of farm people.

6) Study and research should be directed toward assessing the present degree and possible future trends and impact of vertical integration on Canada's farm structure and consumer interest.

7) Passage by the federal government is recommended of national marketing board legislation to provide farmers the opportunity of exercising greater discipline and control in the production and marketing of farm products.

8) We urge this committee recommend:

(a) The immediate introduction in the House of Commons of a National Co-operative Act as a concrete measure towards extending active support to the growth of the co-operative movement in Canada.

(b) That the government of Canada make available a continuing fund of \$100 million for the purposes of co-operative development in Canada.

(c) That interest charged on monies loaned by the co-operative development fund be not greater than 3% per annum simple interest.

(d) That the period of tax exemption on new co-operative developments be extended from the present three years to five years.

9) We support requests for the establishment of a Department of Consumer Affairs and legislation requiring the full disclosure of annual interest rates in such instances as installment buying plans and finance company borrowings.

All of which is respectfully submitted by
THE NATIONAL FARMERS UNION.

